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Mexico and the European Union trade renegotiation of 2020: A deep integration agreement Version 2.0?*

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I. Introduction

After twenty years of the Free Trade Agreement between the European Union and Mexico (FTA EU-MX), trade integration had not achieved the goals expected in 2000 when the treaty was first signed. Structural trade patterns remain similar to before the treaty, which casts doubts on the deep integration anticipated in the long-run relationship between the regions. The total participation of Mexican trade flows in EU trade increased in volume; however, in percentage it was relatively small, with an increase of less than two percent between 2000 and 2019. In contrast, the weight of the EU trade flows for Mexican trade has been six times greater since the start of the treaty. Likewise, Mexico reduced Foreign Direct Investment (FDI) barriers, primarily directed to financial and telecommunications services. The empirical literature shows that the preference for these sectors over manufacturing or productive sectors has limited the opportunities to incorporate domestic Small and Medium Enterprises (SMEs) into global trade (Solana, 2012). According to the European Commission (2017), Mexican SMEs contributed only 5% of total exports to the EU.

The agreement signed in 2000 and the consequent renegotiation of 2020 corresponds to a framework of accords signed in the mid-1990s. Trade integration agreements aimed to go beyond the commercial aspects (shallow integration) to create the conditions for deep integration. Lawrence (1996) coined the phrase *deep integration* for those trade accords seeking more cooperation and protection in areas beyond the World Trade Organization (WTO) obligations, including political issues such as strengthening democracy and promoting development for all countries. The theoretical and empirical literature on deep integration focused on political economy and policy is well-known (Horn et al., 2010; Mattoo et al., 2020; Chisik & Tabatabai, 2020; Orefice & Rocha, 2014, WTO, 2011). The EU is a clear example of deep integration, where cooperation is critical to achieving its goals, including cross-border cooperation. Since NAFTA has policy clauses encouraging deep integration, the 2000 Treaty signed with the EU was expected to be along those lines. Furthermore, the fact that the EU chose Mexico as the first country in Latin America to sign a free trade agreement should be considered an important issue. Mexico has a strategic geo-

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graphical position as the neighbor of the United States and partner of Canada, which represents desirable markets for EU firms.

Since the 1990s, Mexico has signed 36 regional integration agreements with different countries and regions to diversify its economy, particularly its exports (SICE, 2021). However, the economic interdependence of the United States and Mexico continues to be predominant. Mexico wanted to diversify its destination markets and hedge the risk of concentrated trade and investment with one country (Condon, 2007). Also, through a deep integration agreement, there would be opportunities to strengthen productive capacities or to increase R& D cooperation. However, previous empirical evidence argued that the EU benefited from Mexico's geographical position to bypass rules of origin and access the United States market (Barrios, 2016; Manrique de Luna, 2016; Busse & Koopmann, 2002; Aguirre-Reveles & Pérez-Rocha, 2007).

This article seeks to answer whether the renegotiation of 2020 can help solve the pending tasks that the original treaty promised for Mexico. The literature review argues that the renegotiation has secured EU companies' interests while encouraging Mexico to renew its commitments to human rights and democratic processes (Torres & Polanco, 2016; Campos, 2018; Dominguez, 2021; Oberda, 2017).

The treaty renegotiated in 2020 is consistent with the deep integration framework, elements of which were already incorporated in the treaty signed in 2000. Using the World Bank database for deep integration agreements (Mattoo et al., 2020), the 2000 treaty was advanced in areas that promoted cooperation; however, many were not enforceable. Indeed, we argue that the lack of enforced policies in the treaty signed in 2000 did not benefit Mexico, while enforced policies in the movement of capital and investment helped secure EU interests in Mexico for the liberalized financial and telecommunication sectors. For Mexico, the increase in trade exchange for small and medium-sized companies could help to diversify trade and create opportunities to find new markets for these firms; however, this did not happen under the 2000 treaty. The renegotiation of 2020 made advances promoting bilateral trade in global production and increasing the number of enforcing policies in the area of cooperation. We argue that the EU and Mexico need to show the political will to succeed with the renegotiated trade agreement in the following twenty years.

The contribution of this paper is twofold: (1) further the analysis of the 2020 renegotiation by comparing it with the treaty signed in 2000 and (2) use the World Bank's database on deep integration (Mattoo et al., 2020) to show policies in the treaty of 2000 where both countries have achieved important goals. We will compare this with the United States-Mexico-Canada (UMSCA) trade agreement as both correspond to the deep integration agreement framework.

This article is divided into the following sections. The second section explains Mexico's economic and political background before 2000 and its trade relations with Europe, resulting in the first bilateral agreement between Mexico and the EU. The third and fourth sections analyze the various components of the FTA EU-MX deep integration agreement of 2000 and the renegotiation of 2020. The fifth section analyses the evolution of trade by sectors between these regions: before the treaty's signing, 1990-1999, and after the signing, 2000-2019. In the final section, we assess the treaty from the perspective of the Mexican economy and the expectation of what renegotiation can bring for the following 20 years.

II. Mexico's economic and political background before 2000.

Mexico's integration with the EU began at the peak of globalization, in which regional integration became an essential mechanism for expanding trade on a world scale (Kuwayama, 1999; Baquero-Herrera, 2005; Scott et al., 2007). It was clear that Mexico's leading trade partner would be the United States for geographical, economic, historical, and political reasons. However, under the new open regionalism of the 1990s and 2000s, regional integration became the instrument of choice for many countries to embark on an economic growth model based on the trade sector (Grugel, 2004; Baquero-Herrera, 2005; Jenne et al., 2017; Briceño-Ruiz, 2018). This was particularly true for middle-income countries like Mexico trying to diversify their exports (De la Peña, 2001; Nieto, 2003; Dingemans & Ross, 2012). Likewise, the EU was going through the union's enlargement period with new members who needed to expand their markets beyond the EU. Although, countries like Spain and the United Kingdom benefited from regional trade agreements where they accessed service sectors of the non-EU members.

Mexico began a process of economic opening in 1985. It signed its first North American Free Trade Agreement (NAFTA) with the United States and Canada at the end of 1993, emphasizing trade liberalization. NAFTA was the natural consequence of an integration process that began with the Maquiladora program in 1965 on Mexico's northern border and the automotive sector's significance for the three signatory countries. Likewise, it took advantage of the changes in the strategy of transnational companies to seek global production chains where the manufacturing of intermediate goods began to predominate in exports (Baldwin, 2013). The United States became the hub for the USA Factory, competing against Japan's (later China's) hub and Germany's hub. Since then, these three hubs have dominated global trade production (Lin et al., 2019).

Similarly, the EU began its first enlargement in 1973, adding Denmark, Ireland, and the United Kingdom to the initial group of six countries. In the 1990s, union members began searching for new markets for their products by signing bilateral free trade agreements with countries outside of Europe (Bacaria-Colom et al., 2013). As already mentioned, Mexico was the first country in Latin America with whom the EU signed a trade agreement. The EU was particularly interested in taking advantage of Mexico's trade relations with the United States and Canada (Barrios, 2016; Busse, 2002; De la Peña, 2001; Dominguez, 2021).

After the signing of NAFTA, Mexico's next trade target was the EU. EU member countries such as Germany, the United Kingdom, and the Netherlands had already established trade interests with Mexico. In 1995, Mexico began to sign various Bilateral Investment Treaties (BITs), including fifteen BIT with EU countries (Olivet, Pérez-Rocha

2016) that would make the trade agreement at the EU level more expeditious (Gutiérrez-Haces 2004). In 1996, Mexico formally began a negotiation process with the EU to move towards a trade liberalization agreement, concluding in late 1999.

The empirical evidence on the negotiation process of the agreement between Mexico and the EU is extensive (Condon, 2007; Serrano et al., 2015; Becerra et al., 2013; Bacaria-Colom et al., 2013; Arroyo et al., 2008). In May 1996, the EU obtained approval from the General Affairs Council of the European Union to initiate negotiations to finalize a significant trade agreement with Mexico. Three instruments are agreed upon for this process: (1) the so-called "Global Agreement," which would define the characteristics of the FTA EU-MX negotiations to which it aspired; (2) an Interim Agreement that would establish the mechanisms and conditions for trade liberalization, and (3) the Final Document[1].

The Agreement on Economic Association, Political Concertation, and Cooperation (a.k.a. Global Agreement) started in July 2000. The document established all the objectives and mechanisms to advance the liberalization of goods and services between Mexico and the EU and the measures adopted concerning intellectual property. The agreement is divided into two phases: trade liberalization of merchandise in 2000 and services in 2001 (Serrano et al. 2015; Frontini, Bonnefoy 2012)[2]. The FTA EU-MX was signed under the government of President Ernesto Zedillo (1994-2000), who, like former president Carlos Salinas de Gortari, supported the continuing opening of the Mexican economy.

The following section will review the FTA-EU-MEX under the deep integration framework. We will highlight areas of the first agreement according to the World Bank's deep integration database (Mattoo et al., 2020) to examine the extent of the bilateral accord.

III. EU-Mexico FTA as a Deep Integration Agreement

The concept of deep integration was coined in the work of Lawrence (1996) and belonged to the open regionalism literature. Preferential Trade Agreements (PTAs) expanded their scope to include more policy areas related to non-tariff measures to increase the partners' commitment to greater cooperation beyond trade and investment. In the 1950s, the number of policy areas covered in a PTA was eight on average, while in 2017 increased to seventeen (Fernandes et al., 2021). These policy areas could include topics such as consumer protection, environmental laws, human rights, expanding democracy, labor standards, and cooperation, to name a few. According to Mattoo et al. (2020), Deep Integration Agreements (DTAs) policy areas can be classified into three main categories (a) core policy areas that pertain to trade in-

[1] Agreement of Economic Association, Political Concertation and Cooperation between the European Community and its Member States, on the one hand, and the United Mexican States, CISE, Information Systems on Foreign Trade. Trade policy development: Mexico-European Union (SICE, 2021). http://www.sice.oas.org/Trade/mex_eu/spanish/final_act_s.asp

[2] It is important to establish that one of the parts of the Global Agreement contains all the provisions that make up a Free Trade Agreement, acronym FTA EU-MX, see: http://www.protlcuem.gob.mx/

tegration, (b) policies areas that support economic integration, and (c) policy areas that aim to economic development. The empirical evidence on DTAs is becoming more extensive in recent years, particularly in DTAs and Global Value Chains (GVCs) (Orefice & Rocha, 2014).

A DTAs could also benefit the trade partners as it increases trade flows more than in a shallow integration (trade accord only on goods, services, and investment). Ahcar and Siroen (2017) found that deeper than shallow Regional Trade Agreements (RTA) promote trade. Their calculations showed that a 10% increase in the depth of integration raises bilateral trade flows by some 3% (Ahcar & Siroen, 2017). Horn et al. (2010) classified areas of Preferential Trade Agreements (PTA) into two groups: WTO+, where provisions under the current WTO are covered, and WTOx, all of the obligations outside the current WTO mandate. Their classification is helpful to differentiate the degree to which PTA's conditions are close or far from the WTO obligations and enforceability.

As we can see from a review of the FTA-EU-MEX signed in 2000, we found many provisions that could be considered WTOx. We will highlight the titles that pertain to deep integration. For instance, the so-called *political dialogue* established in Title II led the parties to incorporate democracy, human rights, climate change, sustainable development, peace, international security, education, and R&D cooperation, among others (Senado de la República, 2018). However, the agreement reflected these issues as shared principles and values without any binding provision. According to García (2015), the EU projects its power toward Latin America through three dimensions: (1) regulations, through culture, norms, and values, (2) structurally, by promoting inter-regionalism and (3) transformative power, by pushing their trading partners to maintain stable democracies. These dimensions of interaction with Mexico are somehow present in the negotiation process, the treaty itself, and what would later become its modernization, but this is only illustrative.

Another provision that can be considered WTOx is *Title IV, Movement of Capital and Payments*. It implies a progressive and reciprocal removal of constraints of capital flows between Mexico and the EU. Title IV was a problematic issue during the agreement discussions. It entailed opening the doors to large corporations that could negatively affect small and medium-sized firms and even displace them. Likewise, we did not find any specific measures to support Mexican small and medium-sized firms accessing the EU market. Polanco and Torrent (2016) argued that the agreement had its flaws in not establishing its mechanisms for dispute resolutions in the case of investment, which could affect EU interests negatively. The first version of the agreement showed chapters that were quite general in their mandatory nature. However, it resorted to the WTO rules for the free operation of capital. These topics were incorporated in the treaty's renegotiation in 2019 (Ghiotto, Laterra, 2020). As Gutiérrez-Haces (2004) points out, developed countries seek a regulatory framework that gives greater certainty to their investments through the investment treaty mechanism. This mechanism has become a means to attract foreign investment for developing countries, but asymmetries in its negotiation favor developed countries. For example, Olivet and Pérez-Rocha (2016) have documented the lawsuits that EU firms have filed against Mexico, reflecting the sensitivity of the issue and the asymmetries that exist when a country exports goods and the partner exports capital.

Title *V, Public contracts, competition, intellectual property, and other trade provisions* are also under WTOx provisions. It highlights the measures to guarantee a lack of distortions or trade restrictions between the agreement's member countries. The need to create competition laws is highlighted. Although it is said that it will be through cooperation between countries, the sole intervention of the WTO led to the imposition of rules created by these international organizations that promote less state intervention and more market-based rules. This is one of the reasons why many Mexican firms confront challenges to access the EU. While it refers to the need to develop *healthy* trade practices, the truth is that it is only definite and transparent concerning *state monopolies of a commercial nature* and *public companies to which exclusive rights have been granted*. Once again, multilateral organizations act when it comes to defining intellectual property rules, which primarily seek to protect the intellectual property rights of industrialized countries, such as most of the EU countries (Manrique de Luna, 2016; Olivet, Pérez-Rocha, 2016).

One of the most significant provisions in a deep integration agreement is cooperation; most articles covered provisions under the WTOx. However, in the case of the FTA-EU-MEX, *Title VI Cooperation* did not have the greater scope expected from the EU being a community entity. For instance, this title should have considered establishing mechanisms to support the exchange of information on macroeconomic aspects, stimulate trade and investment, remove obstacles to industrial cooperation, and create competition rules for privatization and liberalization. However, there is only a short statement on promotion and cooperation for innovation, training, and research and development, without foreseeing, as in the other cases, the creation of instances of genuine collaboration between organizations due to the large number of SMEs in México. The Title of Cooperation must be strengthened. The emphasis that the Mexican negotiators placed on this issue is unknown. At least, it would have translated into greater cooperation for economic development for industry and agriculture, fishing, and other productive activities, particularly for SMEs. There were programs aimed toward small and medium-sized companies, using AL-INVEST 5.0[3] to promote inclusive growth for social cohesion in Latin America, and other pre-existing programs, such as the ECIP[4] - BRE and BC-NET[5]. However, these programs were primarily symbolic as Mexican firms found it difficult to participate due to technical and size reasons.

Among some articles in *Title VI, Cooperation*, Article 28 establishes the cooperation between the EU and Mexico in the fighting against the production, distribution, and illicit consumption of drugs in the region, stopping money laundering, and controlling precursor chemicals. This provision became relevant after the terrorist attacks

[3] EU program http://www.alinvest5.org/index.php?lang=en

[4] European Union Community Investment Partners (ECIP) http://aei.pitt.edu/37262/1/COM_(2000)_135_final.pdf

[5] SME cooperation and transnational development and Bureau de Rapprochement des Entreprises-BRE (Business Cooperation Centre). November 1994 http://aei.pitt.edu/33342/1/A53.pdf

on the United States in 2001. Increased border security forced members of organized crime to find new markets for drugs. It meant strengthening the security of land borders, air, and maritime space. It also implied a redirection in the distribution of illicit drugs from Mexico and Colombia to the EU markets. Article 28 mentioned the commitment to develop joint prevention programs for drug use, treatment, and drug dependence rehabilitation. However, this commitment was not translated into tangible actions, particularly in the case of Mexico.

We found that after 20 years, there were no concrete actions to promote the achievement of the goals stipulated in Title VI, such as cooperation for the protection of the environment and natural resources[6] or the support for the resolution of social problems. Even though harmonizing economic and social development with trade liberalization and growth were recognized, there were no significant improvements because the agreement did not include mechanisms to guarantee the promises.

There were clauses to promote cooperation related to refugees, human rights and democracy[7], protection of consumer rights, data protection, health, education, scientific and technological cooperation, including a clause on the regional cooperation in Central America and the Caribbean for economic development[8]. Several projects support cooperation in Central American Countries, but they are independent of the agreement between Mexico and the EU. It should be noted that Mexico has been a member of the OECD since 1994, which left the country out of any possibility of receiving support from international cooperation. Therefore, it was essential that, under the FTA EU-MX, mechanisms for the transfer of resources be established for supporting such broad cooperation. However, little has been achieved in these 20 years; only the European Investment Bank was pointed out as a possible contributor to these good wishes.

Another way to analyze the FTA-EU-MEX, besides the text, is through the World Bank's Deep Integration Agreement database (Mattoo et al., 2020). The database covers information from PTA for 158 countries from 1954 to 2015. It follows the changes of PTAs and the dynamics of the last thirty years of PTA and includes policy areas in the WTO+ (shallow integration) and WTOx (deep integration). The database version 2.0 mapped out 16 out of 38 total policy areas, so our analysis using this database will be on policy areas that include WTO+ and WTOx policies. The provision variables are binary, meaning a treaty has or does not have a specific provision. For in-

[6] In the case of NAFTA, in this matter, in 1994 two Parallels Agreements were signed that led to the creation of the Commission for Environmental Cooperation, which is still in force. http://www.cec.org/es/acerca-de-la-cca/, and the Agreement of Labor Cooperation for North America not enforced. https://www.stps.gob.mx/01_oficina/03_cgai/aclan.htm

[7] Perhaps the EU and Mexico agree on defend the human rigths of the population in which foreign investments arrives, but the study by Olivet and Pérez-Rocha (2016) documents human rights violations by European firms in Mexico discussed the protection that receive these firms instead of population involved on these conflicts.

[8] There is an initiative on the part of the EU to support the "Comprehensive Development Plan for Mexico, El Salvador, Honduras and Guatemala", presented by ECLAC in 2019 (https://www.cepal.org/en/publications/47247-comprehensive-development-plan-salvador-guatemala-honduras-and-south-southeast), it remain as a plann. What was found is that the European Development Days Plan (EDD) 2019, It contains among its areas of support to Central America on various issues of indigenous peoples, security and climate change, among others.

stance, for the Competition Policy Provision 06, consider the following question, "does the agreement promote the principle of procedural fairness?" or for the Movement of Capital Provision 12, ask the next question, "does the transfer provision differentiate requirements for inflows as opposed to outflows?" In the case of Mexico and the European Union, the data covers the 2000-2015 period, so it does not show data from the renegotiation of 2020. To highlight some provisions for the FTA-EU-MEX, we add NAFTA as a comparison.

Table 1 Policy areas coverage: a comparison across agreements

	EU-MEX (2000)	NAFTA (1994)
Policy areas covered (number)	38	22
Policy areas legally enforceable (number)	9	20
Competition Policy		
Environmental Laws		
Investment		
Labor Market Regulations		
Movement of Capital		
Public Procurement		
Services		
Trade Facilitation and Customs		
Visa and assylum		
Not included		
Policy areas covered		
Policy area legally enforceable		

Source: based on Mattoo et al. (2020)

Table 1 shows that the FTA-EU-MEX covers a more significant number of policies when compared with NAFTA. However, the number of policies legally enforced is much lower than for NAFTA members. As we mentioned before, the EU-MEX accord of 2000 was full of good intentions in other areas besides trade. However, it sought to secure trade and investment favorable conditions for EU companies already established in Mexico. After 20 years, cooperation that was key for deeper integration between regions did not bring the expected results because of reduced enforceable policies and the absence of mechanisms. The description of the main policies (Table 1) also shows the limited covered and enforceable areas. For example, it called our attention that policies in labor market regulations were not included while it was already enforceable in 1994 for NAFTA. The environmental laws were covered but not enforced by the EU-MEX accord. The EU already has high environmental law standards for its members; however, Mexico could not comply with these high standards without losing foreign investment, evidence of the asymmetrical relations in this accord. The EU tried to avoid the *race to the bottom* by including the policy, even though it was not enforceable.

A major disaggregation can be seen in Table 2, where we show content by policy area as a percentage of the provisions by category. Policy areas in light blue are WTO+, and policy areas in green are WTOx.

Table 2 Content by Policy Area (share of provisions per category (%)

Content by Policy Area (share of provisions per category (%)

Policy Area	EU-MEX	NAFTA	Policy Area	EU-MEX	NAFTA	Policy Area	EU-MEX	NAFTA
Competition Policy			**Public Procurement**			**Subsidies**		
Conditions/Obligations	50	50	Conditions/Obligations		100	Conditions/Obligations		33,3
Exceptions and Safeguards	100	100	Coverage	2,4	58,5	Coverage	80	80
Institutions and Cooperation	85,7	57,1	Enforcement mechanism		60	Enforcement mechanism		100
Objectives Scopes and Definition	50	50	Exceptions and Safeguards		42,9	Miscellaneous		100
Transparency		100	Liberalization/Integration		66,7	Objectives Scopes and Definition	33,3	66,7
Welfare	88,9	22,2	Miscellaneous		40	Sectoral coverage		16,7
Environmental Laws			Objectives Scopes and Definition	50	100	Transparency		50
Enforcement mechanism	25	75	Procedural requirements		35,7	**Technical Barriers to Trade**		
Institutions and Cooperation		60	Transparency		71,4	Conditions/Obligations		37,5
Objectives Scopes and Definition	8,3	91,7	**Sanitary and Phytosanitary measures**			Coverage		
Welfare		22,2	Conditions/Obligations		37,5	Enforcement mechanism	50	50
Export Restrictions			Institutions and Cooperation		35,7	Institutional Framework	100	100
Coverage	50		Liberalization/Integration		50	Institutions and Cooperation	33,3	33,3
Exceptions and Safeguards	20	60	Miscellaneous		16,7	Objectives Scopes and Definition	66,7	33,3
Liberalization/Integration	7,1	42,9	Objectives Scopes and Definition		16,7	Transparency	33,3	100
Objectives Scopes and Definition		100	Procedural requirements		33,3	**Trade Facilitation and Customs**		
Procedural requirements		47,1	Transparency	10	50	Conditions/Obligations		100
Intellectual Property Rights			**Services**			Institutions and Cooperation	20	70
Institutions and Cooperation	20		Conditions/Obligations	27,3	90,9	Procedural requirements	3,6	25
Welfare	4,8		Coverage	100	100	Transparency		62,5
Investment			Enforcement mechanism	100	100	**Trade Remedies**		
Conditions/Obligations		50	Exceptions and Safeguards	57,1	57,1	Enforcement mechanism	50	100
Coverage		66,7	Institutions and Cooperation		100	Institutions and Cooperation		66,7
Enforcement mechanism		100	Liberalization/Integration	62,5	100	Objectives Scopes and Definition	8	20
Exceptions and Safeguards		50	Objectives Scopes and Definition	37,5	87,5	Procedural requirements		10
Liberalization/Integration		54,5	Procedural requirements		50	Transparency		33,3
Miscellaneous		11,1	Transparency	66,7	100	**Visa and Asylum**		
Objectives Scopes and Definition		36,4	**State Owned Enterprises**			Conditions/Obligations	33,3	66,7
Labor Market Regulations			Conditions/Obligations		62,5	Coverage		22,2
Objectives Scopes and Definition		100	Coverage		62,5	Enforcement mechanism	100	100
Movement of Capital			Enforcement mechanism		40	Exceptions and Safeguards	20	100
Coverage	53,8	53,8	Exceptions and Safeguards		33,3	Institutions and Cooperation		66,7
Enforcement mechanism	12,5	75	Objectives Scopes and Definition		33,3	Objectives Scopes and Definition		33,3
Exceptions and Safeguards	36,4	34,8	Transparency		40	Procedural requirements		100
Objectives Scopes and Definition	25	50				Transparency	33,3	66,7

Source: based on Mattoo et al. (2020)

Table 2 provisions are based on the FTA-EU-MX of 2000 and NAFTA signed in 1994. The percentages reflect the coverage of each provision for different policy areas. For example, conditions/obligations in the Competition Policy cover 50 percent of what is expected for that provision. It is 100 percent for exceptions and safeguards for both EU-MEX and NAFTA. Compared with NAFTA, the FTA-EU-MX stands behind in several policy areas, even though it was signed six years after NAFTA. There are areas with no provisions for the FTA-EU-MEX, such as in Investment or State-Owned Enterprises. NAFTA has most policy areas with a certain percentage of provisions covered. The movement of capital and services has more provisions that show Mexico's weight for the EU as a platform to enter the US and Canadian markets. As we mentioned before, one of the problems with the trade agreement, signed in 2000, is the lack of policy enforcement and actual mechanisms, which is also reflected in Table 2. In sum, the outcome of the agreement did not reach the goals for deep integration, even though the accord considers a significant number of general policies that could have been the framework for further cooperation between both regions.

We argue that the lack of policy implementation for further cooperation resulted from the short-run vision about the scope of integration followed by previous Mexican governments. The governments of Presidents Salinas, Cedillo, Fox, Calderón, and Peña Nieto were based on the premise that investment alone, job creation, and trade expansion, besides cheap jobs, would ensure the country's socioeconomic development, which did not occur. In the last decades, foreign banks' growth occurred under very generous conditions towards their investors, generating significant profits that allowed them to navigate the 2007-2008 global financial crisis, while Mexican consumers faced high financial costs in a distorted banking system. Likewise, national laws were modified to favor the entry of foreign capital into foreign sectors such as gas production, energy, and mines (Serrano et al., 2015; Becerra et al., 2013; González, 2012; Goodrich, 2004.)

In 2016, after almost 20 years of the FTA EU-MX, the revision of core elements of the treaty began, known as the Modernization Agreement. One conclusion that emerges from this review is that members of the treaty have the privilege to act under their national interest, and this standpoint seems to be dominated or pushed by the EU. In mid-2020, and under the government of Mexican President López Obrador, a second version of the Agreement of Economic Association, Political Coordination, and Cooperation was signed[9]. In the next section, we want to answer whether the 2020 renegotiation can strengthen the policy areas of deep integration by increasing policy enforcement in the categories related to cooperation between the two regions.

IV. FTA EU-MX renegotiation

In the previous section, we did not cover *Title III, Trade,* because it relates to WTO+ or shallow integration, and our focus was on policy areas with deep integration content. However, for the renegotiation of 2020, *Title III* includes the framework for sup-

[9] As been mentioned before, the FTA-EU-MEX is recongnized like that since 2000.

porting GVCs to become more significant for Mexico's global trade. According to Laget et al. (2018), the depth of an agreement contributes to the trade of GVCs among trade partners. Chisik and Tabatabai (2020) found that deep integration is critical for trade in intermediate inputs, so behind-the-border policies increase welfare for trade members. Likewise, previous empirical literature analyses the link between PTA and GVC and confirms its positive correlation (Baldwin, 2011; Baccini, 2021; Orefice & Rocha, 2014; Johnson & Noguera, 2017). In the case of Mexico and the EU, changes in *Title III* answered to the interest of EU big corporations with intra-firm trade that have Mexico as part of their GVCs. Yet, it can be an opportunity for Mexican small and medium businesses to get inserted in this trade, as long as industrial and innovation policies in Mexico support SMEs. Therefore, Title III could provide the conditions for a deep integration through GVCs trade. Laget et al. (2018) found that for the trade between developed and developing economies, the policy content in Investment and Competition is crucial for realizing the positive effects of deep integration on GVC trade. However, Baccini (2021) pointed out how investment provisions can protect multinational enterprises in host markets, which is an important distinction when discussing regional integration between countries of different sizes. For that reason, domestic policies are relevant to producing deep integration of GVC trade.

Title III, Trade, showed the most changes in the renegotiation. In Article 5, the original accord established a gradual liberalization of trade. The maximum percentage of the release of specific products is set in the revision: 86% for agricultural products, which are an essential source of Mexican exports. It is established that 10% of Mexican products must be tariff-free in 7 years and 4% in a more extended period[10]. Rules of origin (RoO) also changed to add a significant number of requirements to consider a product from the trade block. Likewise, there is 55% flexibility for specific RoO to include new production processes. For instance, Mexico requested to keep the RoO of highly sensitive products for its economy, such as paper, textiles, glass, agricultural products, among others. Articles 5 and 6 of *Title III* changed to include a new article establishing rules to simplify customs requirements, allowing greater transparency of the applicable legislation. The change was directed to pressure Mexico since their legislation tends to change relatively often. Also, in this new version, article 12 on intellectual property is modified to guarantee the protection of origin denomination, and its geographical references are explicitly made, primarily for Mexico[11].

Industrial sectors, such as Energy (considered WTOx), were included in the renegotiation. The Mexican government proposed restructuring the energy sector based on national security interests, which led to protests by European and US investors, considering that some changes would limit free trade and threaten the planet's sustainability. Mexico attempted to maintain control over its natural resources, which was a matter of national interests (Secretaría de Energía, 2020)[12]. The current Mexican

[10] These are products such as tuna, rice, wheat flours, lactose, chocolates, confectionery, pasta and cookies, and sensitive products for Mexico (dairy, apples, peaches, and others).

[11] For example, rice from the state of Morelos, ataulfo mango from Soconusco, Chiapas, cajeta from Celaya, etc.

[12] Energy Sector Program 2020-2024, can be consulted at: https://www.gob.mx/cms/uploads/attachment/file/562631/PS_SENER_CACEC-DOF_08-07-2020.pdf

administration argues that under the 2013 Structural Reform of Energy Law, several disadvantageous conditions were imposed on PEMEX and the governmental participation in the primary petrochemical sector. The Mexican government proposed a 56/44 ratio for the government and private firms participating in the energy sector for national security reasons. Also, electrical government-owned firms will not be required to buy electricity from private firms at very high prices or allow subsidized prices for private firms.

Another concern included in the renegotiation is the commitment to reduce the state's role in the market. The chapter on "Government Purchases at the sub-federal level" contains the principles governing the market and its players in the private sector, such as in the energy sector. Serrano et al. (2015) analyzed the experience of Spanish firms in Mexico, arguing the need for further progress in the liberalization of economic sectors such as energy, transport, and telecommunications since they are central to the circulation of goods. The energy reform of 2013 under the government of Peña Nieto sought to support the sector's liberalization framework, to favor the treaty with the EU, but also NAFTA (known now as USMCA), and therefore, with significant international corporations in emerging economic activities (Vargas, Kucharz, 2010). However, recent experiences such as the high energy prices in Spain prevent the Mexican government from reviewing that legislation in the energy sector.

Title VI, Cooperation, which corresponds to the core of the deep integration agreement, underwent widespread modifications. It moved from a vision of aspiration to cooperation to establishing mechanisms and norms to make such cooperation mandatory (enforced policies). Article 15, related to investment, declares the creation of a "tribunal for the settlement of disputes" between investors and the participating parties to generate certainty for new investments. In addition, cooperation in the development of shared policies for financial services was modified to promote the independence of each institution and issue its provisions following the conditions of their financial systems. Meanwhile, Article 17, related to cooperation to promote SMEs, establishes an internet site with accurate and updated information on tariffs and regulations for the different goods entering into the treaty. However, there is a lack of cooperation proposals promoting and supporting small and medium-sized enterprises that could have a necessary condition to include SMEs in the trade based on GVCs. As been mentioned before, Mexico needs to create domestic policies to support the participation of SMEs in GVC.

Article 20 (information society) and Article 33 (cooperation in information and communication) were modified in *Title VI*. The modifications include regulations to the interconnection of major service providers, allowing number portability and international roaming. The ICT sector is one of the crucial European investment sectors in Mexico and highly developed in the last two decades of the 21st century. It was surprising that the previous agreement did not include any provisions for this sector. Thus, the renegotiation comprises an article that keeps the industry free of tariffs to prevent any adverse effects on the volume of profits that the ICT generates for the countries involved. Sigmond (2018) points out the significance of this trade. According to the Global Retail E-Commerce Index, in 2015, Mexico's share of total online sales in Latin America was 18% and still growing; hence the significance of incorporating this sector into the treaty with the EU.

Article 21 on cooperation in the transport sector relates to Article 6 on trade. A section on maritime transport establishes measures facilitating trade through and access to ports. The change is essential for both regions as maritime transport is a significant share of their trade. Mexico has a gap in its port infrastructure, and the enforcement of the new treaty would put more pressure on the existing infrastructure. During the Peña Nieto government, a significant investment was made in Puerto Chiapas to allow wide cargo entry. However, corruption and inefficiency led these facilities to operate at half capacity and required additional investment to complete[13].

Another modified article in this same cooperation title is Article 30, on training and education. A Mutual Recognition Agreements framework was established in the area of professions. It does not imply the free movement of people. However, it aims to facilitate the flow of business people linked to trade in goods and services. It includes improving immigration procedures for people doing business. These changes could materialize in greater cooperation in education, science, and technology, promoting knowledge exchange in these sectors. It could be essential for the development of SMEs in Mexico.

Most of the changes in *Title VI* focused on facilitating trade and investment. These changes support the goals established in *Title III Trade* and could impact Mexico's trade and the financial and telecommunication sectors. As the different provisions showed, there are more enforceable policies when compared with the 2000 treaty. Since the World Bank database (Mattoo et al., 2020) has not mapped out policy area content for the 2020 accord, it won't be possible to establish the percentage content of each policy. However, the analysis of the text revealed that modifications made in 2020 move toward more concrete actions in matters of trade and investment that could impact economic growth. Yet, transforming economic growth into economic development with better environmental laws, human rights, professional training, SMEs, or social matters requires more than trade agreements, but it could establish some supporting conditions for the change.

Furthermore, some authors argue that the institutionalization of political dialogue between the parties influences joint commercial policy and promotes political and economic cooperation between the participating countries (González, 2017; Arroyo et al., 2008). For that purpose, the Global Agreement should be a tool for civil society organizations to achieve the main goals of the new treaty. So far, there is no concrete evidence that this new agreement that is said to go beyond trade has brought other benefits to Mexican society more than those strictly linked to macroeconomic variables.

The renegotiation added the need to establish better processes that make the treaty more effective, timely, and transparent. In *Title VII, Institutional Framework*,

[13] Port Development Master Program of Puerto Chiapas 2019-2024, http://www.puertochiapas.com.mx/qs/files/PMDP_Puerto_Chiapas_2019_2024.pdf

clause 50 on Dispute Resolution of the previous Agreement, there were hopes of a joint mechanism of dispute resolutions. Non-tariff measures, supply chains, the competition framework, appellations of origin, electronic commerce, and investments in strategic sectors have resulted in controversies that demand a substantial improvement in the resolution procedures. (Frontini, Bonnefoy 2012; Serrano, et al., 2015). Under the current government, one of the main concerns revolves around improving terms of trade. It will be a challenge to make sense of this clause when small countries such as Mexico seek to have a level playing field competing with developed economies in the EU.

Finally, in this modernization, new provisions related to anti-corruption were added, establishing specific requirements to reduce corruption in trade and investment through various internal and external controls. A chapter on transparency was added, which included the elimination of non-tariff barriers, laws, and regulations in public view, promoting transparency in processes and procedures. The current Mexican government seeks to decrease corruption and increase transparency as an issue to attract foreign direct investment and build trust in its political regime and its democratizing vocation to their political system.

In sum, the treaty's renegotiation between Mexico and the EU has served to review the areas of interest where it is possible to advance beyond the good intentions indicated in the first Agreement. The renegotiation of most of the chapters has practical purposes that could result in the deep integration desired 20 years ago. The political will of countries and changes in trade logistics could make it a reality in the coming years. Indeed, the COVID 19 crisis has meant that countries focus their efforts on overcoming the health and economic crisis, and trade integration take a back seat. However, it can also generate cooperation mechanisms to share relevant information that helps both parties fight against the pandemic.

The following section proceeds with data about the trade and investment relationship between Mexico and the EU for the last 20 years. We will compare their performance with other countries and trade blocks to examine to what extent the FTA-EU-MX achieved its objectives in this area.

V. Bilateral trade flow analysis between Mexico and the European Union

This section presents the analysis of trade and FDI flows between Mexico and the European Union in the last 20 years, providing evidence of what was stated in the previous sections. We argued that the FTA-EU-MX helped increase the bilateral trade between the regions; however, it did not change the trade pattern for the manufacturing sector, which is highly concentrated in a few sectors of medium or high technology content. EU companies benefited from the liberalization of the financial and telecommunication industries, which will find significant increases in Foreign Direct Investment (FDI).

A first approximation of trade performance would be to contrast the growth rate of bilateral trade before and after the treaty was signed. Before the treaty's signing, 1996-2000, the growth rate of EU exports to Mexico was higher than the growth rate of EU imports from Mexico. After the treaty went into effect, EU imports from Mexico grew on average 14% from 2001-to 2007, while exports to Mexico increased by 11%. So the 2000 treaty had positive effects on Mexican exports to the EU market. A shallow integration (WTO+) was happening in favor of Mexico during this period. The global financial crisis and the slowdown in world trade that occurred in those years resulted in lower growth rates. Therefore, pre-crisis growth levels were not recovered. For the last period, 2015-2019, the average growth of exports only reached 2%, while the average growth rate of EU imports from Mexico reached 5%. The slowdown of the global economy continued much after the financial crisis ended in 2010, and not only the EU and Mexico were affected. The apparent gains for Mexican sectors are contrasted, in Table 3, with the bilateral trade by destination for three specific years, 1999, before the agreement was signed; 2010, ten years after the treaty was signed; and 2019, before the COVID 19 crisis.

Table 3 Mexico and UE trade structure

	European Union			Mexico		
Years	199.900,0%	201.000,0%	201.900,0%	199.900,0%	201.000,0%	201.900,0%
European Union	61,2%	60,5%	60,1%	6,4%	7,8%	7,8%
Rest of the region	9,7%	8,5%	7,3%	0,6%	0,7%	2,1%
Mexico	1,0%	1,2%	1,5%	-	-	-
United States	21,5%	14,6%	17,7%	81,2%	64,1%	61,7%
Japan	7,3%	4,2%	3,7%	2,1%	2,8%	2,4%
China	4,2%	14,2%	16,0%	0,7%	8,3%	9,8%
MERCOSUR	2,9%	3,2%	2,0%	1,0%	2,3%	1,5%
Total Trade (million dollars)	4.336.613	10.236.312	12.215.809	278.218,41	599.786,81	915.993

Source: based on data from UNCTAD

As shown in Table 3, the significance of the trade between the United States and Mexico is verified. However, the trade share decreased from 81% in 1999 to 62% in 2019. An increasing trade share with China compensated for the decline, less than 1% in 1999, reaching almost 10% in 2019. While trade with China grew, the trade share with the EU remained nearly the same for a region with whom Mexico already had bilateral agreements (with different countries in the EU) before the treaty's signing. In 1999, the weight of this trade represented 6.5% of Mexico's total trade, increasing to 7.8% in 2010 and decreasing slightly in 2019.

On the other hand, Mexico's participation in the EU market was small. The EU had just one percent of its trade with Mexico in 1999, only to grow to 1.5% in 2019. Table 3 shows the asymmetric significance of the trade for both parties. It is worth noting that Table 3 shows the EU market as an aggregate region. Bilateral trade data with partners, such as Spain or Germany, could differ. However, it is striking that MER-

COSUR had greater participation than Mexico when the trade agreement between MERCOSUR and the EU was signed in 2019. Table 3 shows the evident importance of the intra-regional market for the EU. Likewise, 60% of EU total trade happened between the members of the EU, and to a lesser extent with the rest of Europe. Similarly, the EU's trade with China grew substantially, reaching almost the same level of trade as with the United States by 2019.

An analysis of the export structure can indicate the trade pattern and examine whether the trade pattern changed after 2000. Table 4 shows the composition of exports by productive sectors for three selected years. For example, the specialization trade pattern can be considered inter-industrial for the production of primary products. Mexico exports more than 20 percent of primary products to the EU, while only around 2 percent of EU exports to Mexico[14].

Table 4 Exports composition (percentages)

	1999		2010		2019	
	EU	Mexico	EU	Mexico	EU	Mexico
Primary products	2,17%	22,24%	1,85%	29,09%	2,42%	27,31%
Resource-based manufactures: agro-based	4,75%	4,66%	5,49%	3,68%	5,63%	4,27%
Resource-based manufactures: other	6,61%	3,31%	17,60%	4,52%	8,38%	5,38%
Low technology manufactures: textile, garment and footwear	2,64%	2,04%	2,92%	1,08%	3,20%	0,79%
Low technology manufactures: other products	9,10%	6,31%	9,62%	3,05%	10,28%	2,59%
Medium technology manufactures: automotive	10,70%	26,64%	9,90%	17,69%	13,70%	41,27%
Medium technology manufactures: process	6,09%	8,38%	7,16%	6,54%	7,90%	3,53%
Medium technology manufactures: engineering	34,00%	12,39%	24,59%	9,10%	28,33%	12,27%
High technology manufactures: electronic and electrical	12,35%	8,56%	7,50%	16,97%	7,68%	23,05%
High technology manufactures: other	6,98%	4,51%	10,52%	2,57%	10,07%	2,95%
Unclassified products	4,61%	0,97%	2,86%	5,72%	2,41%	3,88%
Total Exports ($ million of dollars)	10.813,11	5.196,73	28.706,63	14.459,77	44.070,13	15.662,11

Source: 4 based on data from UNCTAD

In other sectors, there is more intra-industry bilateral trade where there is a trade of products that belong in the same industry. This is the case for the agro-industry (resource-based manufacturers) and the textile, clothing, and footwear industry (low technology manufacturers). However, that oscillates around 2%. Table 4 shows that Mexico has increased its participation in medium-technology industries, such as automotive, with 27% of total exports in 1999, decreased in 2010, and significantly increased in 2019 to represent 41% of the total exported to the EU. High-tech industries

[14] According to Serrano, et al., 2015, between 2002 and 2013 Mexico showed a comparative advantage in some specific goods, such as certain animal products, edible vegetables, tubers, edible fruits and nuts, among others.

have also seen considerable growth. For instance, the electronics and electrical sector had an 8% share in total exports before 2000. After signing the agreement, it more than doubled in 2010 and reached 23% in 2019. Mexico concentrates its manufacturing exports in a few sectors when trading with the EU (except for the primary products), corresponding to the industrial heterogeneity that has characterized the Mexican industry since industrialization[15]. EU exports to Mexico are characterized by medium and high technology content, particularly in the engineering sector, where exports to Mexico show the highest share, even before the treaty. In 1999, this participation was 34%, but it decreased in the following periods. Even in 2019, high-tech exports based on engineering products are the ones that carry the most weight in trade.

Tables 3 and 4 show the lack of a structural change in bilateral exports after the treaty's signature in 2000. The structural trade pattern has been the same without substantial growth. In the case of Mexico, export concentration occurred in two industries, automotive and electronics, with a share of more than 60% in 2019 as a percentage of total exports. In the EU, the concentration of exports is not as high as for Mexico; the total exported is explained by a series of medium and high technology industries.

The EU is Mexico's third trading partner and has become the second source of FDI. In 2010, Mexico received from the EU countries the amount of 11.652 million dollars, and in 2019, 40.076 million dollars.

Table 5 shows the percentages of FDI from the EU to Mexico for the selected periods. Unlike a trade in goods and services, this table indicates that FDI from the EU increased significantly after the treaty was signed. This can be verified by the percentages of the total FDI received. In 1999, the EU represented 28% of total FDI flows; in 2010, the rate was already slightly higher than that of the United States, and the EU remains the partner with the highest percentage of FDI in 2019. Consequently, 80% of the total FDI is explained by the flows received by the EU and the United States. There is a high concentration of FDI in terms of financial interests in Mexico.

Table 5 FDI flows from the UE to Mexico selected years

Country or Region	Total FDI (millon of dollars)			Percentage Share of total FDI		
	1999	2010	2019	1999	2010	2019
European Union	3.911,00	11.652,40	13.708,70	28,06	42,93	40,08
China	5,30	52,60	134,30	0,04	0,19	0,39
United States	7.322,20	11.190,90	12.850,40	52,54	41,23	37,57
Canada	612,50	2.131,40	2.953,00	4,40	7,85	8,63
Japan	1.461,20	1.216,00	1.482,50	10,48	4,48	4,33
MERCOSUR	32,10	287,80	801,50	0,23	1,06	2,34
Other countries	592,50	607,70	2.262,90	4,25	2,24	6,62
Total	13.936	27.141	34.207			

Source: Based on data from SE, Secretaría de Economia, Mexico

15 An interesting analysis of the above is found in Serrano, et al. (2015).

Regarding financial and other services, reference is made to the General Agreement on Trade in Services (AGS) provisions, which constitutes an agreement within the WTO (considered WTO+). In core aspects of the negotiation between Mexico and the EU, a set of WTO rules are incorporated, which have generated more benefits for large transnational companies than for the countries where these companies operate. A 2016 study reveals that investors from EU countries are frequent users of dispute resolution mechanisms, particularly governments as state investors, which have initiated 53% of cases in this area, including the Netherlands, the United Kingdom, and Germany as the most active (Olivet, Pérez-Rocha, 2016). Mexico has faced 23 arbitration cases covered by its investment treaties and has been forced to pay $246 million-plus interest for "damages and prejudices" to nine companies. Although most cases come from US companies, Spanish firms are also present in these arbitrations[16] (Olivet, Pérez-Rocha 2016).

According to Ucha (2015), in 2015, EU companies were mainly from developed European economies; there was no investment participation from countries that joined the EU in the last ten years. Most of the companies in the manufacturing industry were established in Mexico even before the treaty was signed in 2000. The FTA-EU-MX of 2000 provides conditions for establishing EU companies in the financial and telecommunication sectors, corresponding to its liberalization period.

Even though this paper does not focus on analyzing financial flows, it is worth pointing out the significance of Spanish investment flows in the Mexican financial sector. For instance, Bacaria-Colom et al. (2013) show how the close relationships between Mexico and Spain shaped their economic bonds. Cultural ties, common language, and colonial heritage largely explain how trade between the two countries increased by 90% in the new millennium's first decade, with an annual growth rate of 7%, with Mexico also the first Latin American country to trade partner for Spain.

The information provided confirmed what other authors found about the FTA-EU-MX. After 20 years of trade integration, Mexico's benefits have not been evident (Barrios, 2016; Condon, 2007; Aguirre & Perez-Rocha, 2007; Bacaria et al., 2013; Oberda, 2017; Serrano et al., 2015; Serrano, 2019; Szente-Varga, 2019). In this paper, we sought to further the previous empirical evidence by analyzing the renegotiation under the deep integration framework. Trade data showed that Mexico and the EU advanced in shallow integration (WTO+) as there has been an increase in trade flows. However, deep integration in the first agreement's cooperation areas was not realized due to the lack of enforced policies.

VI Recommendations and Conclusions

These two regions came to the negotiation table with different objectives. Mexico sought access to EU markets as an opportunity to diversify its exports and thus lessen its dependence on the United States market. For the EU, signing the treaty was

[14] Some of the most important Spanish companies are ABENGAO, Banca Santander, BBVA, Bodegas Terras Gauda, CAF México, CESCE, CIE Automotive, EVERIS, Iberdrola, IBEROSTAR, OHL, TELEFONICA, among others (Frontini, Bonnefoy 2012).

vital to ensure an advantageous position when Mexico was liberalizing its financial and services sector. Also, the signing of a treaty could ensure that the interests of large EU corporations have equal treatment as US companies already established in Mexico. Hence, the negotiation of a DTAs includes a substantial number of provisions beyond the scope of WTO agreements.

The inflow of European capital into Mexico increased after signing the treaty, even though trade in goods and services did not show the same growth. European investment in Mexico grew significantly, particularly in the financial, mining, and to a lesser extent in the industrial trade sector. The trade growth between Mexico and the EU was small compared to NAFTA. Cooperation for development was minimal, particularly cooperation in the fight against poverty and the development of science, technology, education, and professional training. Examining these results according to Matto's DTAs categories, the FTA-EU-MX did not reach the more advanced third category of policies aimed at economic development.

Implementing the FTA EU-MX would have helped one of Mexico's primary goals of trade diversification. Trade data shows that such diversification has been limited and that it maintains essentially the same trade pattern as before the beginning of the treaty. It is also clear that most of the significant changes due to the treaty occurred in the financial service sectors, with foreign investment flows from the EU countries to Mexico, which became an attractive place for such investments. However, the positive spillovers to the rest of the economy have not been apparent. Furthermore, the volatilities of the global financial market can affect the Mexican balance of payments when the composition of those flows has a significant weight in short-term financial investment.

Trade integration with the EU has not helped improve Mexico's industrialization structure, modify its trade pattern, or impact economic development. This is also due to the heterogeneous and concentrated industrial Mexican sectors focused on producing exportables dominated by specific sectors such as automotive and electronics and extensively using cheap labor to be competitive. With the treaty, bilateral trade grew. Still, it took place within a framework of global production growth where the EU and Mexico benefited until the financial crisis occurred. The slowdown in world trade did not help increase trade flows between both regions since 2009.

Heterogeneity and concentration in Mexican manufacturing make it more challenging to incorporate small and medium-sized companies into the gains from trade, which is what the opening of the EU market was expected to bring. Trade integration must be accompanied by non-tariff measures that facilitate the arrival of products from medium and small companies to the EU market.

The primary problem for further changes in the industrial sector has been the lack of an ambitious industrial development program in Mexico that fosters cooperation in science and technology while stimulating greater participation of the industrial sector in higher value-added products. Furthermore, it requires an aggressive science and technology cooperation program between Mexican universities and research centers and their counterparts in the various EU countries. The renegotiated treaty offers a significant opportunity to develop greater cooperation in this regard with the EU. Technological development and technological capabilities should be promoted to boost foreign investment in high-tech sectors, not only in the services sector, as it has been so far.

In terms of trade policy, Mexico has already consolidated a bilateral relationship with leading members of the EU. However, several countries joined the EU in the 2000s, which could be new niches for Mexican products. A more disaggregated analysis of trade with these countries could reveal the competitive advantages of Mexico with these new markets. One of the limitations of this work has been not to differentiate trade by groups of EU members and to estimate the revealed comparative advantage.

Finally, the treaty addresses other areas of collaboration that could also substantially benefit partners, particularly Mexico, regarding its impact on socio-economic development. The treaty helps strengthen democratic institutions in the fight against climate change, the battle against addictions and the production of illegal drugs, and the fight against organized crime. Though no substantial progress has yet been made, the current Mexican government faces the opportunity to advance several precepts that were only envisioned in the formulation of the treaty. Modifying the pattern of commercial exchange and working on a strategic framework of cooperation for development can make the difference between the FTA EU-MX and USMCA. To achieve the benefits of deep integration, Mexico and the EU should aim to implement and enforce all provisions. The support to GVCs trade and cooperation in information and communication, transportation, education, science and technology are essential. Mexico also needs to fight corruption and create transparency in all the processes related to trade and exchange.

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